

Message Text

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73

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 NEA-10 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 3304

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ENRG, OECD, IEA, GW

SUBJ: PUBLIC DISCUSSION OF OPEC PRICE DECISION

REF: (A) STATE 278391; (B) STATE 279455; (C) BONN 19262

1. TAKING CUE FROM NOVEMBER 11 STATE DEPARTMENT
SPOKESMAN'S REMARKS (REF C) AND NOVEMBER 15 MEETING
OF OPEC ECONOMIC COMMISSION, WEST GERMAN MEDIA HAVE
BEGUN TO ZERO IN ON ISSUE OF DECEMBER HIKE IN OIL
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PRICES AND WHAT STEPS CONSUMER COUNTRIES MIGHT TAKE

TO PREVENT IT.

2. IN RADIO INTERVIEW BROADCAST NOVEMBER 14, CHANCELLOR SCHMIDT CITED OIL IN CONTEXT OF GENERAL REMARKS ON PROSPECTS FOR WORLD ECONOMY. (INFORMAL EMBASSY TRANSLATION):

QTE: WE READ IN THE PRESS THAT THE OIL PRICE WILL BE RAISED AT THE END OF THIS YEAR. I HAVE UNDERSTANDING FOR THAT, BUT AT THE SAME TIME I HAVE GREAT CONCERN. ONE READS IN THE PRESS ABOUT PERCENTAGES, BUT I DO NOT WISH TO JUDGE THAT NOW. I WILL ONLY SAY THIS: THE AMERICAN ECONOMY CAN DIGEST RATHER WELL A 15-PERCENT HIKE IN THE PRICE OF OIL, AND THE GERMAN ECONOMY CAN ALSO DIGEST IT. BUT I KNOW A LARGE NUMBER OF ECONOMIES -- NOT ONLY INDUSTRIAL STATES, BUT ALSO DEVELOPING ONES -- FOR WHICH A PRICE HIKE, IF IT GOES TOO FAR, WOULD CONSIDERABLY WORSEN THEIR EXISTING PROBLEMS OF INFLATION AND BALANCE OF PAYMENTS. THE PRICE OF OIL WILL BE AN IMPORTANT ELEMENT IN JUDGING WORLD ECONOMIC DEVELOPMENTS IN 1977. END QTE.

3. INDEPENDENT DIE WELT RAN FRONT PAGE STORY NOV. 15 CLAIMING THAT 15 PERCENT RISE IN OIL PRICE WOULD ADD MORE THAN DM 2.6 BILLION TO FRG'S ANNUAL PETROLEUM BILL. IT ALSO CLAIMED THAT CHANCELLOR SCHMIDT'S REMARKS HAVE CAUSED CONCERN THAT OPEC MAY CONSTRUE THEM AS A SIGNAL TO SETTLE ON 15 PERCENT HIKE.

4. CONSERVATIVE/INDEPENDENT FRANKFURTER ALLGEMEINE REPORTED NOVEMBER 15 THAT US, UK, JAPAN AND WEST GERMANY HAVE WARNED OPEC STATES OF NEGATIVE ECONOMIC EFFECTS WHICH FURTHER PRICE HIKE WILL ENTAIL. PAPER CLAIMED THAT BONN IS AWAITING FORMAL USG PROPOSAL ON HOW TO PROCEED. IN NOVEMBER 13 COMMENT, FAZ WROTE THAT WASHINGTON HAS "PERSUASIVE ECONOMIC GROUNDS" FOR OPPOSING NEW OPEC PRICE HIKE BUT NOT A PARTICULARLY STRONG POSITION VIS-A-VIS OPEC STATES. PAPER CONCLUDED THAT OPEC'S DECISION ON NEW OIL PRICES MAY HINGE ON POLITICAL, LIMITED OFFICIAL USE

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RATHER THAN ECONOMIC CONSIDERATIONS.

5. BUSINESS-ORIENTED HANDELSBLATT REPORTED NOV. 15 THAT 15 PERCENT OIL PRICE HIKE WOULD HAVE SEVERE IMPACT ON SEVEN MAJOR INDUSTRIAL STATES. PAPER CLAIMED THAT US HAS THREATENED SAUDIA ARABIA AND IRAN WITH DELAY IN DELIVERIES OF MILITARY AND TECHNOLOGICAL GOODS IN

AN EFFORT TO INDUCE THEM TO OPPOSE QTE PLANNED UNQTE PRICE RISE AT
DOHA MEETING NEXT MONTH.
STOESSEL

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